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Report Highlights:

Despite a tripling of ocean freight rates, U.S. wheat exports to Nigeria in MY2003/04 grew 20 percent over a year earlier. The increase in U.S. wheat exports to Nigeria is fueled by increased consumption of bread, pasta and biscuits. A recent study conducted by FAS Lagos revealed that Nigeria's rice imports includes virtually all parboiled rice shipped to Cotonou. Benin Republic is a market for regular milled white rice. Prices of corn are up to \$250/MT, forcing feed manufacturers to switch to sorghum and millet.

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Executive Summary

Exports of U.S. wheat to Nigeria in MY2003/04 are estimated at 2.2 million tons, up from 1.9 MMT and 1.7 MMT in MY2002 and MY2003 respectively. U.S. wheat exports to Nigeria in MY2004/05 are forecast at 2.3 MMT. The growing importance of Nigeria as a destination for U.S. wheat is striking, with Nigeria maintaining its position as the leading export destination for U.S. hard red winter wheat and the fourth overall largest export market for U.S. wheat in MY2003/04. Available trade figures indicate that U.S. wheat accounts for more than 90 percent of Nigeria's total wheat imports in MY2003/04. The rise in imports is fueled by rising consumption of bread, which is now a major staple among Nigerian consumers.

Nigeria's domestic grain production in MY2004/05 is forecast to increase five percent. The forecast is based on the timely arrival of rains in the grain belt. Nigeria could have achieved a bumper grains crop in MY2003/04, if not for shortages of organic fertilizer and flooding of some rice and cornfields. The decision of the GON to apply the 25 percent subsidy on fertilizers, created scarcity conditions and resulted in higher product prices to growers. The retail price of a 50-kilogram bag of NPK increased to a record level of 4,000 Naira, up from an average of 2,000 Naira a year earlier. Utilization of fertilizer products is limited by its high cost, often resulting in low crop yield levels, especially for fertilizer-dependent crops such as corn and rice.

President Obasanjo is promoting increased food production in the country through a new initiative called the "National Special Program for Food Security." The program focuses on innovative approaches to soil conservation and fertility improvement and water use for crop production, crop intensification and diversification to attain food security and alleviate poverty. The program aims at improving farmers' productivity and income. Field visits to northern grain production zones revealed that farmers are responding favorable to the new initiative.

Exchange Rate: US\$1 = 135 Naira

WHEAT

Nigeria Wheat							
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		07/2002		07/2003		07/2004	MM/YYYY
Area Harvested	35	35	35	35	0	0	(1000 HA)
Beginning Stocks	200	200	200	200	200	200	(1000 MT)
Production	50	50	55	55	0	55	(1000 MT)
TOTAL Mkt. Yr. Imports	2304	2304	2300	2400	0	2500	(1000 MT)
Jul-Jun Imports	2304	2304	2300	2400	0	2500	(1000 MT)
Jul-Jun Import U.S.	1688	1688	0	2200	0	2300	(1000 MT)
TOTAL SUPPLY	2554	2554	2555	2655	200	2755	(1000 MT)
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0	(1000 MT)
Jul-Jun Exports	0	0	0	0	0	0	(1000 MT)
Feed Dom. Consumption	0	10	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	2354	2354	2355	2455	0	2555	(1000 MT)
Ending Stocks	200	200	200	200	0	200	(1000 MT)
TOTAL DISTRIBUTION	2554	2554	2555	2655	0	2755	(1000 MT)

Production

Nigeria's wheat production in 2004/04 is forecast to remain at about 60,000 tons, same as 2003/04. Wheat production is not expected to expand beyond this level due to local climatic conditions, which are not suitable for wheat.

Consumption

Following a sustained increase in export ocean freight rates in recent months, Nigerian flour millers, through a joint action increased the retail price of flour to 2,850 Naira per bag of 50 kilograms in January 2004, up approximately 20 percent from the previous level. Freight rates from U.S. gulf to Nigeria are running \$70-75 a ton compared to an average of \$26 over the past five years. Wheat millers in the country indicate that the sharp increase in freight rates could no longer be absorbed in their cost structure. In response, the bakers have increased the price of bread on average by 10 percent. By this increase, a 950-gram loaf of bread is now sold for 150 Naira, up from 120 Naira previously. Bakers in the country indicate that they are unable to pass on the full impact of the flour price increase to cash-trapped Nigerian consumers due to stiff consumer resistance. Despite the increase in price, bread consumption is expected to continue to increase because of the high cost of local substitutes. Bread has firmly established itself as a staple item in the Nigerian breakfast and is eaten throughout the day as the convenience food of choice by the general public. Demand for soft wheat is increasing to satisfy a growing demand by biscuits, crackers, and pasta manufacturers. Total production capacity in the industry is estimated at about 4.0 MMT. Following the entrance of aggressive new millers in recent years, the industry has become competitive with respect to price and quality. A number of the mills now have their own in-house bakeries to provide market support for their products.

Trade

Nigeria's overall wheat import volume in MY2004/05 is forecast at a record 2.6 million tons, with imports from the U.S. reaching 2.3 million tons. Overall, Nigeria's wheat imports in MY2003/04 are estimated at 2.4 MMT, with the U.S. supplying 2.2 MMT. The higher volume projected for 2004/05 is based upon the rapid growth in Nigeria's population and improving economic conditions in the country.

Nigeria's rapid population growth combined with the recent reduction in import duty suggests that annual wheat imports from the U.S. are likely to exceed three million tons within the next 5 years. This trade projection is supported by the GON's inability to date to revitalize its moribund agricultural sector. With domestic food production lagging behind, the country must ultimately turn to imports to meet its food security.

In MY2003/04, Nigeria is the fourth largest overseas market for U.S. wheat, down from the third position last year. Nigeria's loss of position is due solely to robust growth in Egyptian wheat imports from the US wheat during the year. In reality, US exports to Nigeria expanded in both volume and market share. U.S. wheat exports to Nigeria in 2003/04 increased by more than 20 percent, while market share increased from 85 percent to more than 90 percent over a year earlier. Canada and Argentina are the principal competitors in this market. Millers who experimented with Kazakhstan wheat have vowed not to try again because of quality related problems.

Policy

Nigeria's wheat import tariff is five percent. Imported wheat also is subject to port surcharges (equal to seven percent of the duty value), and the GON's Combined Import Supervision Scheme fee, which is equal to one percent of FOB value. The GON's five percent value added tax, also is applicable to wheat flour. Millers are required to fortify flour with vitamin A.

SORGHUM

Nigeria Sorghum							
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2002		10/2003		10/2004	MM/YYYY
Area Harvested	6750	6770	6800	6800	0	6800	(1000 HA)
Beginning Stocks	200	200	200	200	200	200	(1000 MT)
Production	7850	7850	8000	8000	0	8050	(1000 MT)
TOTAL Mkt. Yr. Imports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Imports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	8050	8050	8200	8200	200	8250	(1000 MT)
TOTAL Mkt. Yr. Exports	50	50	50	50	0	50	(1000 MT)
Oct-Sep Exports	50	50	50	50	0	50	(1000 MT)
Feed Dom. Consumption	125	130	150	150	0	150	(1000 MT)
TOTAL Dom. Consumption	7800	7800	7950	7950	0	8000	(1000 MT)
Ending Stocks	200	200	200	200	0	200	(1000 MT)
TOTAL DISTRIBUTION	8050	8050	8200	8200	0	8250	(1000 MT)

Production

Sorghum production in 2004/05 is forecast at 8.01 million tons. The projected increase in output is based largely on anticipated improvement in crop yield, thanks to the growing acceptance by growers of improved varieties developed by local research institutes. Sorghum is Nigeria's most widely cultivated grain, accounting for more than 45 percent of total planted area. Sorghum production is attractive to farmers because of favorable market prices and its relatively low fertilizer usage requirements. Sorghum cultivation spans the North to the Middle-belt zones of the country where precipitation and soil moisture levels are low. The early maturing varieties are very suitable to the semi-arid conditions in the extreme northern parts of Nigeria with very short rainy season. Production conditions in 2003 were generally normal.

Consumption

Sorghum enjoys a large and growing domestic demand because of its extensive use as food in virtually all parts of northern Nigeria. Sorghum also is used extensively in brewing homemade local beer. Industrial demand for sorghum by beer and feed manufacturers is rising steadily, in step with growth trends in these sectors. Some brewing factories in Nigeria produce beer exclusively from corn and sorghum.

Trade

Nigeria is nearly self-sufficient in sorghum. There are no official statistics on exports, but drought conditions to the north of Nigeria encouraged undocumented, cross-border exports of about 50,000 tons into Niger and Chad in MY2003/04.

Rice

Nigeria Rice, Milled							
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2002		01/2003		01/2004	MM/YYYY
Area Harvested	1660	1660	1800	1800	0	1850	(1000 HA)
Beginning Stocks	680	680	777	777	575	575	(1000 MT)
Milled Production	2200	2200	2200	2200	0	2300	(1000 MT)
Rough Production	3667	3667	3667	3667	0	3833	(1000 MT)
MILLING RATE (.9999)	6000	6000	6000	6000	0	6000	(1000 MT)
TOTAL Imports	1897	1897	1600	1600	0	1700	(1000 MT)
Jan-Dec Imports	1600	1600	1750	1750	0	1800	(1000 MT)
Jan-Dec Import U.S.	0	5	0	12	0	0	(1000 MT)
TOTAL SUPPLY	4777	4777	4577	4577	575	4575	(1000 MT)
TOTAL Exports	0	0	0	0	0	0	(1000 MT)
Jan-Dec Exports	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	4000	4000	4002	4002	0	4025	(1000 MT)
Ending Stocks	777	777	575	575	0	550	(1000 MT)
TOTAL DISTRIBUTION	4777	4777	4577	4577	0	4575	(1000 MT)

Production

Nigeria's rice production in MY2004/05 is forecast at 2.3 MMT, up from 2.2 MMT in MY2003/04. The projected increase is based on a combination of improved input supply and favorable weather outlook. President Obasanjo has a new special initiative to promote self-sufficiency in rice production. A key element of the initiative is the GON's subsidy on basic farm inputs, especially improved rice varieties. The government is promoting the adoption of the new hybrid rice varieties to help boost rice production. These new varieties are high yielding, early maturing, disease resistant, and high in protein content. Despite this initiative, however, Nigeria will continue to depend on imports to satisfy a growing consumer demand.

Consumption

Rice imports account for close to half of Nigeria's total rice supplies. Imported parboiled rice is directed at meeting consumer demand in urban areas where incomes are highest. Locally milled rice is of poor quality and is consumed mainly in the rural areas. Imported parboiled rice competes effectively against other basic food staples, which explains why import volumes have trended upwards in recent years.

Over the past year, the retail price of rice increased on average by about 30 percent reflecting the increase in the import duty and a devaluation of the local currency. However, the consumption level has remained fairly stable. Rice remains a regular item in the diet of most Nigerians, largely because of the convenience and the variety of ways it can be prepared. In Nigeria, rice is served as the main dish, not as a side food as in most other countries.

Trade

Post forecast Nigeria's rice imports in MY2004/05 at 1.7 MMT, up from the revised MY2003 estimate of 1.6 MMT. The projected increase is due to limited supply of locally produced rice and other alternatives such as yams and beans.

Trade estimates of Nigeria's wheat imports used in this report include all parboiled rice shipped to Cotonou port. Following a collaborative study initiated by FAS/W in early 2004, we gathered that virtually all parboiled rice shipped to Benin Republic are actually destined for the Nigeria market. Nigeria is the only market for parboiled rice in the West African sub-region; Benin Republic is a market for regular milled white rice.

The GON's prohibitive duty on rice imports is encouraging cross-border smuggling of the product. The import duty on rice is 100 percent. When port charges and other taxes are assessed, the effective duty on rice entering Nigeria through Nigerian ports is 119 percent. On the other hand, imports to Benin Republic attract only 35 percent duty, representing a \$200 per ton price advantage over imports through Nigerian ports. Nigerian importers simply land their imports in Benin and then smuggle them into the country. Some importers ship to Cotonou port (Benin) and declare them as transit goods destined to the land-locked countries of Niger and Chad. Transit goods attract only five percent duty in Benin. The rice is subsequently smuggled into Nigeria.

Marketing

Currently, U.S. milled parboiled rice can only compete for a share of the top niche segment of the Nigerian market. U.S. rice exporters are encouraged to collaborate with leading Nigerian importers to boost sales of their products. Promotional activities should target the growing middle to high-income consumers. These segments of the market are willing and able to pay for premium quality U.S. rice. Given appropriate marketing support, this market segment can increase commercial import purchases from the U.S. to 100,000 tons annually, up from the current level of less than 1,000 tons within three years.

MAIZE

Nigeria Corn							
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2002		10/2003		10/2004	MM/YYYY
Area Harvested	3500	3500	3700	3700	0	3700	(1000 HA)
Beginning Stocks	111	111	119	119	119	119	(1000 MT)
Production	5200	5200	5150	5150	0	5200	(1000 MT)
TOTAL Mkt. Yr. Imports	8	8	50	50	0	20	(1000 MT)
Oct-Sep Imports	8	8	50	50	0	20	(1000 MT)
Oct-Sep Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	5319	5319	5319	5319	119	5339	(1000 MT)
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Exports	0	0	0	0	0	0	(1000 MT)
Feed Dom. Consumption	300	300	300	300	0	320	(1000 MT)
TOTAL Dom. Consumption	5200	5200	5200	5200	0	5220	(1000 MT)
Ending Stocks	119	119	119	119	0	119	(1000 MT)
TOTAL DISTRIBUTION	5319	5319	5319	5319	0	5339	(1000 MT)

Production

Post forecasts Nigeria's corn production in 2004/05 at 5.2 MMT, up from 5.1 MMT in MY2003/04. The projected increase is based on the timely arrival of rains in the grains belt and GON's commitment to improve input supply this year. Last year, Nigeria's corn output reportedly fell by about four percent reflecting the impact of the scarcity of fertilizer products. Most corn growers switched from corn to the less fertilizer-dependent soybean and sorghum. The shortfall in supply is exacerbated by transport problems and speculative purchases by middlemen. Corn is currently sold for \$230 per ton compared to \$140 per ton this time last year.

Consumption

The bulk of Nigeria's corn crop is directed for human consumption. Brewery demand for corn grits is growing in step with growth trends in the industry.

Feed utilization of corn is trending upward thanks to the rapid growth in the poultry sector. Approximately 98 percent of all feed produced in Nigeria is poultry feed. Total corn usage for feed production in Nigeria is forecast to increase to 320,000 MT in MY2004/05. Although the industry would like its poultry feed to consist of nearly 65 percent corn, high corn prices is forcing producers to reformulate in favor of other grains such as sorghum, wheat, and millet. Feed manufacturers are maximizing usage of corn and wheat milling by-products along with soybean oil as substitute sources of energy in their feed formulas.

Trade

Corn import demand, however, suffers from a prohibitive import duty of 70 percent. In addition to the duty, corn imports are subject to: 1) a port surcharge equivalent to 7 percent

of the duty amount, 2) a customs administrative charge equal to 1 percent of the FOB value, 3) an ECOWAS levy equal to 0.5 percent of the import duty, and 4) and a value added tax of 5 percent. The effective duty on corn imports is estimated at more than 80 percent. Unofficially, the GON discourages corn importation to protect local producers.

Marketing

In line with USG's efforts to assist the Nigerian Government in revitalizing its moribund agricultural sector, FAS Lagos is working closely with the local poultry industry. Post facilitated the participation of 50 Nigerian poultry operators at the International Poultry Exposition in Atlanta in January 2003. Thirty of the delegates received training in modern poultry management under USDA's Cochran Fellowship Program. Post support for this activity is based on the realization that the Nigerian poultry industry possesses enormous capacity for growth in the medium to long-term. Growth in the industry is likely to be dependent on increased imports of U.S. grains.